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April 16, 2020

Via Electronic Filing

Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
Post Office Drawer 11649
Columbia, SC 29211

Re: South Carolina Energy Freedom Act (H.3659) Proceeding to Establish Dominion Energy South Carolina Inc.'s Standard Offer, Avoided Cost Methodologies, Form Contract Power Purchase Agreements, Commitment to Sell Forms, and Any Other Terms or Conditions Necessary (Includes Small Power Producers as Defined in 16 United States Code 796, as Amended) – S.C. Code Ann. Section 58-41-20(A); Docket No. 2019-184-E

Dear Ms. Boyd:

I am writing on behalf of Dominion Energy South Carolina, Inc. ("DESC") in response to the correspondence submitted in the above-referenced docket by the South Carolina Solar Business Alliance (the "SCSBA") on April 13, 2020 (the "SCSBA Response"). The SCSBA Response does not object to DESC's request—filed in the above-referenced docket on April 3, 2020—for an extension of the deadline to file certain mitigation protocols with the Public Service Commission of South Carolina (the "Commission") that may reduce the Variable Integration Charge and Energy Integration Charge (collectively, the "Integration Charges") incurred by certain solar projects on DESC's system (collectively, the "Protocols"). However, the SCSBA Response does request that the Commission prohibit DESC from collecting any Integration Charges until the Protocols are approved by the Commission.[1]

To be clear, this is simply another attempt by the SCSBA to place the Integration Charges on South Carolina ratepayers instead of the variable generators that necessitate such charges. The SCSBA, through various procedural maneuvers—including a motion to bifurcate and the latest request for "clarification"—has been stonewalling the imposition of the Integration Charges since DESC first sought Commission approval for the same in February of 2019. Now, the SCSBA continues its delay tactics and efforts to shift these costs to the ratepayers by

[1] The SCSBA Response references only the Variable Integration Charge in some instances, and the Variable Integration Charge and the Energy Integration Charge in others. DESC assumes that the SCSBA Response requests that the Commission prohibit DESC from collecting either charge.

requesting that DESC also be prohibited from collecting retroactive Integration Charges during this time period—charges that have already been incurred and cannot be mitigated even if the Protocols were in place today. As explained more fully below, the SCSBA is out of options and should not be allowed to further avoid assuming its rightful share of these costs.

Order No. 2019-847 (the "2019 Order"), dated December 9, 2019, issued in the above-referenced docket, recognized that there are costs incurred as a result of integrating variable resources, assigned a value to the Integration Charges, and expressly permitted DESC to recover Integration Charges at that value.[2] The Commission further permitted DESC to retroactively recover the Integration Charges at that value through a "true-up" mechanism, which permitted DESC to recover Integration Charges it would have collected since May of 2019.[3] In short, consistent with Act 62's mandate, the Commission approved imposition of the Integration Charges, and determined that holding uncontrollable, variable generators accountable—rather than the ratepayers—for the costs incurred as a result of such generation is "just and reasonable to customers" and serves "to reduce the risk placed on the using and consuming public."[4] Although that value was modified by Order No. 2020-244 (the "2020 Order"), dated March 24, 2020, issued in the above-referenced docket, nowhere in the 2020 Order did the Commission modify or hold in abeyance its finding in the 2019 Order that DESC may continue to impose the Integration Charges.

To the contrary, acknowledging that DESC can continue to collect the Integration Charges, the 2020 Order not only included a true-up mechanism, but also included a true-down mechanism—"the [Integration Charges] will be subject to a true-up, either up or down, depending on the actual [Integration Charges] indicated by the integration study."[5] Therefore, although DESC can continue to collect the Integration Charges, generators would be made-whole if the integration study applies a lower value to the Integration Charges than the value applied by the Commission.

Nowhere in the 2019 Order or 2020 Order—which expressly addressed DESC's obligation to file the Protocols—does the Commission even hint at prohibiting the collection of Integration Charges until the Protocols are approved by the Commission. Indeed, DESC has an obligation to South Carolina ratepayers to collect the costs it incurs as a direct result of generators on its system that generate energy using uncontrollable, variable resources through the Integration Charges.[6]

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[2] *See* 2019 Order at 95.

[3] *See* 2019 Order at 95. By way of background, in Docket No. 2019-2-E, the SCSBA requested a bifurcation of issues related to avoided costs rates, net energy metering valuation, and integration charges. The Commission granted the SCSBA's request for bifurcation of those issues but stated that, once those rates were updated in a future proceeding, those rates would be subject to a "true up." *See* Order No. 2019-43-H. Based on the foregoing, and so that "base fuel purchased power expense will be reduced for DESC electric customers," DESC proposed in Docket No. 2019-184-E "to true up these [variable integration] costs for the period from the first billing cycle in May 2019 until the first billing cycle for the month after the Commission issues its order in this proceeding [i.e., until the first billing cycle of April]" and "to deduct these 'trued up' costs from future payments made to the solar producers with existing PPAs containing the agreement to reimburse [DESC] for any such variable integration costs." *See* Docket No. 2019-184-E, Direct Testimony of Allen W. Rooks, page 10, lines 15-21. In the 2019 Order, the Commission agreed with DESC's proposal. These are costs which have already been incurred, which solar developers contractually obligated themselves to pay and which cannot be mitigated in any way.

[4] 2019 Order at 56.

[5] 2020 Order at 6.

[6] The SCSBA does not challenge the Commission's finding that there are costs associated with integrating variable generation.

The SCSBA Response simply misinterprets the Commission's holdings and mischaracterizes the SCSBA's request. Rather than requesting that the Commission "clarify" the 2020 Order, the SCSBA Response actually requests that the Commission nullify its holdings in prior orders and abrogate existing power purchase agreements to prohibit DESC from collecting Integration Charges. This request should be in the proper form and within the appropriate scope—such as a Motion submitted to the Commission—rather than in a letter disguised as a clarification.

To be clear, DESC will continue to collect the Integration Charges once the Commission approves the Protocols, but the Protocols may be used by projects on a case-by-case basis to reduce or eliminate that specific project's obligation to pay the Integration Charges, so long as that project can prove it "materially reduces or eliminates the need for additional ancillary service requirements . . . [and] should be afforded a reduction or waiver of the [Integration Charges]."[7] (emphasis added).

In short, DESC respectfully requests that the Commission grant its requested extension of time to file the Protocols and maintain its previous holdings in the 2019 Order and the 2020 Order that reduce the burden of these integration costs on ratepayers by permitting DESC to collect the Integration Charges in the manner and values established by the Commission.

Thank you for your time and consideration of these matters.

Sincerely,

J. Ashley Cooper

JAC:hmp
cc: (Via Electronic Mail)
All parties of record in Docket No. 2019-184-E

[7] 2020 Order at 7.